

GLOBAL FOOD MARKETER™ NEWSLETTER

Export news from the Midwest and Northeast



JULY/AUGUST 2018 | VOL.24 NO.4

TIME FOR A MID-YEAR REVIEW

STEP 1: GRATITUDE AND TAKING STOCK

Look at all you've been able to accomplish in the past six months. This includes more than just how much money you've made. Consider projects, milestones, education and developed strategic plans.

For example, have you educated yourself by joining or watching one of our many webinars (live or recorded), or expanded your market knowledge by reviewing one of the Country and Market Profiles (all recently updated)?

STEP 2: THE NUMBERS

Look at how much money was made, spent, current tax situation, what is bringing in money, expenses, where is there an opportunity to make money with a new project or idea.

Look at the export markets that are working for you and expand on them. Did you find a new buyer at a Buyers Mission and now want to expand in that market? Look at our list of Focused Trade Missions or invest in a Market Builder to expand/increase your business to that market.

STEP 3: SYSTEMS CHECK

Make sure your systems are working properly: what is/isn't working for you. Key points include your project management system, CRM (Customer Relationship Management), current sales funnel, administration, operations manual. Creating systems and processes is what helps a business run smoothly, so take time to review them.

Branded Program participants should also make sure you have a good procedure for handling your application, expenses and reimbursements. It is critical that you know the documents needed for reimbursement submission and the deadlines. Having a good system in place to make sure your funds are utilized to the fullest are critical, especially in a year like 2018 where funds are being fully allocated.

IN THIS ISSUE



Time for A Mid-Year Review



Market Focus: South Korea



Food Export Helpline Q/A



2018 Activities

Register for an Online foodexport.org Account!

Be sure to create an online account at www.foodexport.org to make the most of your customized online experience—it's quick and easy! Just click on Create An Account at the top right corner of our homepage.



MARKET FOCUS: SOUTH KOREA

South Korea's imports of U.S. food and agricultural products in 2017 through September totaled \$6.3 billion, up 25 percent from the same period of the previous year. The U.S. remained the leading exporter of food and agricultural products to South Korea (herein after referred to as Korea) with 25 percent market share. Under a solid recovery trend of the Korean economy, U.S. exports to Korea showed outstanding outcomes for the basic, intermediate, and consumer-oriented product categories. Despite escalated competition from export-oriented competitors, consumer-oriented U.S. products continued to lead expansion of the export market in Korea, reflecting Korean consumers' increased demand for better value, quality and diversity. The 2012 Korea-U.S. Free Trade Agreement coupled with ongoing recovery of the Korean economy, is expected to generate greater export opportunities for U.S. products in Korea in the coming year.

Korea is the world's 11th largest economy as of 2016 with a national GDP of \$1.411 trillion, up 2.0 percent from the previous year, and

a per capita Gross National Income (GNI) of \$27,561. Korea is the fifth largest export market for U.S. agriculture in the world, making the U.S. the leading exporter of agricultural products to Korea.

Korea relies heavily on imports to fulfill its food and agricultural needs. Korea is about the size of Indiana, and over 70 percent of its land is mountainous terrain, unsuitable for large scale commercial farming. A majority of the limited farm acreage is exclusively dedicated to rice production. Its population of 50 million makes Korea the third most densely populated country in the world among countries with over 20 million in population. Over 90 percent of Koreans live in urban areas, accounting for 17 percent of the land space. In addition, over 50 percent of the population lives within or in the direct vicinity of the capital Seoul. The agricultural sector, which accounts for only 2.2 percent of the Korean Gross Domestic Production (GDP) as of 2016, is expected to remain a minor contributor to the Korean economy in the future.

ADVANTAGES AND CHALLENGES FOR AMERICAN PRODUCTS IN THE KOREAN MARKET

ADVANTAGES

Korea is an emerging market where new ideas and trends are eagerly tried and accepted. Local processing, retail, and HRI foodservice industries continue to expand. Consumers generate more diversified and sophisticated demand for food as their income level continues to rise.

Korea by nature depends heavily on imports to satisfy its food and agricultural needs. Consumers maintain strong attention to new international food and consumption trends as they are further exposed to foreign food culture.

Korean consumers pay extra attention to the value, quality and safety of food that they consume. Many consumers recognize the U.S. as a trusted origin of quality agricultural products.

Implementation of the KORUS FTA generates new opportunities for American Suppliers by reducing tariff and non-tariff barriers.

DISADVANTAGES

Korean consumers are generally biased toward locally produced agricultural products. Many consumers still maintain an idea that local products are superior in quality and safety over imported products.

The cost of shipping, documentation, inspection and labeling deteriorates price competitiveness of imported products. Recent economic challenge has heightened value concerns among the general Korean consumers.

American products face elevated competition in Korea from both old and new competitors who are deploying aggressive export promotions targeting Korea.

Imported products are subject to complicated labeling and food safety standards in Korea, which change frequently with limited lead time.

Food consumption trends in Korea reflect on-going socio-economic shifts among the general Korean public, which includes: rise of affluent consumer groups, retirement of baby boomers, more women in the labor market, downsizing of the family, well-traveled/educated young generations, urbanization, and adoption of information technologies. As a result, products and businesses that offer good value, high quality, health/nutritional benefits, new and diversified taste, and convenience are showing strong growth in the market.

Korean consumers and traders recognize the United States as a leading origin for imported agricultural products of good quality and value. The strong business and social ties between Korea and the United States encourage Korean consumers to maintain a favorable attention to new American product and consumption trends. The Korea-United States Free Trade Agreement (KORUS FTA), implemented in March 2012, coupled with on-going recovery of the Korean economy should generate greater export opportunities for American products in Korea in the coming years.

AMERICAN EXPORTER TIPS

WHERE TO START – MARKET RESEARCH: The first step for new-to-market American suppliers seeking an entry into Korea is preliminary research to determine if there is a potential market for their products. The research should cover key marketing and regulatory issues including consumption trends, size of the market (imports), major distribution channels, current import tariff and local tax structure, and Korean government regulations and standards. The research, together with consultations with potential Korean import partners, can help American suppliers determine if any modifications to their existing products or marketing strategy are needed.

The internet home-page (www.atoseoul.com) of the Agricultural Trade Office Seoul under the USDA/Foreign Agricultural Service (FAS) offers various information about the Korean food market, including:

GAIN Market Reports: Reports on key products and industries published by FAS Seoul. Particularly the Exporter Guide, FAIRS Country Report, Export Certificate Report, Retail Food Sector Report, and HRI Food Service Sector Report are recommended to new-to-market suppliers. (http://www.atoseoul.com/board/board_list.asp?brdId=reports)

KORUS FTA Product Briefs: Short briefs on more than 45 "best prospect" products. (<http://www.atoseoul.com/fta/fta%20product%20briefs.asp>)

Korea's Agricultural Import Statistics: Spreadsheets, updated monthly, provide a summary of Korea's agricultural imports by four-digit HS product code. For a more accurate reading of the market, both the Korean government's import statistics (CIF value basis) and the U.S. export statistics (FOB value basis) are provided. (http://www.atoseoul.com/information/import_statistics.asp)

Korea's Agricultural Import Trends Presentation: Presentations, updated quarterly, provide an overview of Korea's agricultural imports and the competition between the U.S. and other competitors for key products. (<http://www.atoseoul.com/information/presentation.asp>)

Korea Food Market Media Reports: Weekly food news clippings summarize outstanding issues and trends in the Korean food market. (http://www.atoseoul.com/board/board_list.asp?brdId=agricultural)

FOOD EXPORT ASSOCIATION OF THE MIDWEST USA® AND FOOD EXPORT USA®—NORTHEAST

We are non-profit organizations comprised of state agricultural promotion agencies that use federal, state, and industry resources to promote the export of Midwestern and Northeastern food and agricultural products.

Food Export–Midwest and Food Export–Northeast administer many services through Market Access Program (MAP) funding from the Foreign Agricultural Service (FAS) of the USDA.

Tim Hamilton
Executive Director
thamilton@foodexport.org

John Belmont
Communications Manager
jbeltmont@foodexport.org

Adolfo Montelongo
Communication Coordinator - Content
amontelongo@foodexport.org

Laura Buske
Communication Coordinator - Publications
lbuske@foodexport.org

FOOD EXPORT—MIDWEST
tel: 312.334.9200 • www.foodexport.org

Michelle Rogowski
Deputy Director
mrogowski@foodexport.org

Teresa Miller
International Marketing Program Manager
tmiller@foodexport.org

Molly Burns
Branded Program Manager
mburns@foodexport.org

FOOD EXPORT—NORTHEAST
tel: 215.829.9111 • www.foodexport.org

Joshua Dillard
Deputy Director
jdillard@foodexport.org

Suzanne Milshaw
International Marketing Program Manager
smilshaw@foodexport.org

Howard Gordon
Branded Program Manager
hgordon@foodexport.org

Food Export–Midwest and Food Export–Northeast administer many services through Market Access Program (MAP) funding from the Foreign Agricultural Service (FAS) of the USDA. Persons with disabilities who require alternate means of communication of program information should contact us. Food Export Midwest and Northeast do not tolerate fraud and are vigilant in preventing fraud in any of our programs. Food Export does not discriminate, and we reserve the sole right to accept or deny companies into our programs. For complete participation policies and our code of ethics, visit: www.foodexport.org/termsandconditions.

Global Food Marketer © is published by Food Export–Midwest and Food Export–Northeast.

STATE AGRICULTURAL PROMOTION AGENCY CONTACTS

MIDWESTERN STATES

Illinois – **Kim Hamilton**
217.782.5809

Indiana – **Robert Warner**
317.607.9797

Iowa – **Mark Fischer**
515.725.3140

Kansas – **Suzanne Ryan-Numrich**
785.564.6704

Michigan – **Jamie Zmitko-Somers**
517.281.5738

Minnesota – **Jeffrey Phillips**
651.201.6220

Missouri – **Brenda Verslues**
573.522.9560

Nebraska – **Stan Garbacz**
402.471.4876

North Dakota – **Michelle Mielke**
701.328.4759

Ohio – **Wendi Howell**
614.466.6811

Oklahoma – **Jamie Cummings**
405.593.2119

South Dakota – **Bob Weyrich**
605.431.8002

Wisconsin – **Lisa Stout**
608.224.5126

NORTHEASTERN STATES

Connecticut – **Erin Windham**
860.713.2500

Delaware – **Stacey Hofmann**
302.698.4542

Maine – **Jeff Bennett**
207.541.7400

Massachusetts – **Bonita Oehlke**
617.626.1753

New Hampshire – **Gail McWilliam-Jellie**
603.271.3788

New Jersey – **Christine Fries**
609.292.5537

New York – **Sue Santamarina**
518.457.7229

Pennsylvania – **Thomas Mainzer III**
717.783.1394

Rhode Island – **Katherine Therieau**
401.278.9100 ext. 139

Vermont – **Lauren Masseria**
802.505.5413

FOOD EXPORT HELPLINE™

Q: We make potato chips and would like to begin exporting them, focusing only on countries where the U.S. has a Free Trade Agreement. Chips should be duty free and less expensive. The product is made in the U.S. using potatoes mostly from the U.S. (but sometimes from Canada). We also use pink Himalayan salt from Pakistan. What do you think?

A: Having target markets is helpful, but you should also consider whether these markets have good potential for potato chip imports. We also need to verify if duties are free and, if not, what the duty is and when would it become free. Qualifying the product according to the agreements' different rules of origin is also key to viability. I think the salt will not disqualify your product, but using a mix of potatoes from the U.S. and Canada complicates "Rule of Origin."

WHAT IS AN FTA OR TPA?

A Free Trade Agreement (FTA) or Trade Promotion Agreement (TPA) is an agreement between two or more countries about certain obligations that affect trade in goods and services, and protections for investors and intellectual property rights, among other topics. For the U.S., the main goal of trade agreements is to reduce barriers to U.S. exports, protect U.S. interests competing abroad, and enhance the rule of law in FTA/TPA partners. Reducing trade barriers and creating a more stable and transparent trading and investment environment makes it easier and cheaper for U.S. companies to export their products. Our main concern is increased access through lower tariffs for exporting agricultural products.

WITH WHICH COUNTRIES DOES THE UNITED STATES HAVE AN FTA OR TPA?

Currently, the U.S. has 14 FTAs and TPAs in force with 20 countries including: Australia; Bahrain; Chile; Colombia; CAFTA-DR: Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, & Nicaragua; Israel; Jordan; Korea; Morocco; NAFTA: Canada & Mexico; Oman; Panama; Peru; and Singapore.

EXPORTS OF POTATO CHIPS TO TOP MARKETS

U.S. exports of potato chips, Schedule B 2005.20.0020, reached \$197 million in 2017, the 2nd highest total on record. Chip exports to FTA/TPA markets were \$115.2 million, about 58% of the total. Chip exports to Canada and Mexico were \$96.6 million, or nearly half of the world total, and about 84% of the FTA/TPA total. After NAFTA markets, the Top 10 destinations are: Philippines, UAE, Japan, Saudi Arabia, Singapore, Panama, Hong Kong, and French Polynesia. Only four of the Top 10 markets are in FTA/TPA, but Hong Kong is also duty free. The Middle East markets have only a 5% duty. Duty on potato chips in the Philippines is 7% on the CIF

Full Helpline response at:
<http://www.foodexport.org>

value, Japan's duty is 12% on the CIF value. The market size and demand may not always be based on the duty assessed.

WHAT'S MY TARIFF?

You can check FTA/TPA Rules of Origin and duties at the U.S. Commercial Service www.export.gov. Place your cursor over "How to Export" and then click on "Finding Foreign Markets." Scroll down to the lower right section and click on "Free Trade Agreements." The information available by country/agreement level goes down the right. In the middle section, about halfway down, you will see "How can U.S. companies identify tariffs on exports to FTA partner countries?"

The FTA Tariff Tool can help you determine the tariff that countries will collect on eligible U.S.-exported products. Exporters can look up the FTA tariff rate for a given product and identify when the tariff rate will either be reduced or totally eliminated: www.export.gov/FTA-Tariff-Tool, click "What's My Tariff?" on the lower right.

Not every country is listed so suggestions about where to find additional information are available. You may find a variety of duties and rules of origin as well as documentary requirements for the product – some optional and some mandatory. You will need your HS code of 2005.20 and know the ingredient origins to do this legally and properly.

Examining the rates, rules and exclusions by country is a worthwhile exercise that can be done for all food products. Regarding chips, the product is not duty free in all cases. The rules of origin vary from country to country and mean that, in some cases, sourcing potatoes from outside the agreements disqualifies the product for preferential tariff treatment.



Food Export Helpline™ Counselor

Dennis Lynch, M.I.B.A., CGBP, is a 34-year veteran of international trade who has held a variety of positions in the public and private sectors. He has been directly involved in monitoring, troubleshooting and facilitating export transactions for more than 25 years.

As the export counselor behind Food Export-Midwest and Food Export-Northeast's Food Export Helpline™ Dennis provides customized technical export assistance to a variety of food and agricultural firms. He is a dynamic and informative speaker who speaks regularly at educational seminars throughout our organizations' Midwest and Northeast regions. Dennis is a "Certified Global Business Professional" and a member of "NASBITE," the National Association of Small Business International Trade Educators.

FOOD EXPORT–MIDWEST AND FOOD EXPORT–NORTHEAST ACTIVITIES

Branded Program: Did you know that you might be eligible for up to 50% reimbursement on travel and exhibition fees for some of these activities? Visit www.foodexport.org for more information. **ERD** Early Registration Deadline **RD** Registration Deadline

BUYERS MISSIONS

Buyers Missions bring buyers from all over the globe to U.S. cities. U.S. food and beverage suppliers meet one-on-one with pre-qualified, international buyers to generate sales leads. Imagine meeting with numerous buyers from multiple countries all in one day.

Natural Products Buyers Mission at Natural Products Expo East

Sept. 12-13, 2018 – Baltimore, MD
RD Aug. 8, 2018

Value-Added Feed Ingredients Buyers Mission

Oct. 1, 2018 – Minneapolis, MN
ERD Aug. 3, 2018 **RD** Aug. 24, 2018

Value-Added Feed Ingredients Buyers Mission at World Dairy Expo

Oct. 2-3, 2018 – Madison, WI
ERD Aug. 3, 2018 **RD** Aug. 24, 2018

Convenience Products Buyers Mission at the National Association of Convenience Stores Show

Oct. 7, 2018 – Las Vegas, NV
ERD Aug. 6, 2018 **RD** Aug. 27, 2018

Private Label Buyers Mission at the Private Label Manufacturers Association Show

Nov. 11-12, 2018 – Rosemont, IL
ERD Sept. 10, 2018 **RD** Oct. 1, 2018

FOOD SHOW PLUS!™

Food Show PLUS!™ provides the logistical assistance you need to be a more effective exhibitor. Services may include registration assistance, pre-show product research, translations of booth and sales materials, technical interpreters at your booth, local industry tours, on-site show assistance from food marketing experts, and much more!

Food Show PLUS! at Food Tech Summit & Expo

Sept. 25-27, 2018 - Mexico City, Mexico
RD Aug. 10, 2018

Food Show PLUS!™ at SIAL Paris

Oct. 20-25, 2018 – Paris, France
RD July 30, 2018

FOCUSED TRADE MISSIONS

Focused Trade Missions bring small groups of U.S. suppliers to a country with the goal of building participants' export businesses. You're able to see the market dynamics first-hand, meet and build relationships with interested importers, and discover your products' potential in that market.

Focused Trade Mission to South Korea for Emerging Trends

Nov. 5-6, 2018 – Seoul, South Korea
RD Aug. 10, 2018

Focused Trade Mission to Japan for Specialty and Retail Products

Nov. 8-9, 2018 – Tokyo, Japan
RD Aug. 10, 2018

Focused Trade Mission to the United Arab Emirates for Retail and Food Service Products

Dec. 2-3, 2018 – Dubai, United Arab Emirates
ERD Aug. 10, 2018 **RD** Sept. 10, 2018

Focused Trade Mission to Kuwait for Retail and Food Service Products

Dec. 4-6, 2018 – Kuwait City, Kuwait
ERD Aug. 10, 2018 **RD** Sept. 10, 2018

SEAFOOD ACTIVITIES

Food Export-Northeast is widely known for the foreign market development activities and cost-share assistance we provide to the region's seafood industry. We also provide a variety of support activities on behalf of the industry to continuously uncover new market opportunities and to create greater foreign market awareness and demand for the region's seafood products along with our Seafood Export Promotion Program that includes market briefs provided by our in-market representatives in Brazil, France, Germany and China.

Food Show PLUS!™ at China Fisheries and Seafood Expo

Nov. 7-9, 2018 – Qingdao, China
ERD July 13, 2018 **RD** Aug. 10, 2018

Food Show PLUS!™ at Busan International Seafood and Fisheries Expo

Nov. 8-10, 2018 – Busan, South Korea
RD Aug. 10, 2018

FIND EXPORT SUCCESS. CALL OR EMAIL US.
WE'RE HERE TO HELP.

Call: (312) 334-9200 or (215) 829-9111 E-mail: info@foodexport.org | www.foodexport.org



Make your market.™

Please note: Dates and locations are subject to change and upcoming activities are pending funding from the Foreign Agricultural Service (FAS) of the USDA. Visit our website for more event information.



Food Export Association of the Midwest USA
 309 W Washington St, Ste 600
 Chicago, IL 60606
Address Service Requested

PRESORT STD
 U.S. POSTAGE PAID
 Permit 433
 BISMARCK,
 ND 58501



EXPLORE SOUTH KOREA WITH FOOD EXPORT

Globalization of the market and evolution of consumer lifestyle have made today's Korean diet quite different from what it was in the past. Like consumers in developed countries elsewhere, Koreans are looking for new tastes, better value, convenience, high quality, and most of all, safe and healthy food in their daily diet.

Food consumption trends in Korea reflect on-going socio-economic shifts, including the rise of affluent consumer groups, retirement of baby boomers, more women in the workforce, downsizing of the family, well-traveled/educated young generation, urbanization, and adoption of new information technology. As a result, products and businesses that offer good value, high quality, health/nutritional benefits, new taste, and convenience are showing strong growth.

Imports of consumer-oriented American products are forecast to remain strong this year, which reflects Korean consumers' increased demand for better value, quality and diversity.

FOCUSED TRADE MISSION TO SOUTH KOREA ON EMERGING TRENDS

Nov. 5-6, South Korea

ERD July 13 – \$400

RD Aug. 10 – \$600

FOCUSED TRADE MISSION TO JAPAN FOR SPECIALTY AND RETAIL PRODUCTS

Nov. 8-9, Japan

ERD July 13 – \$400

RD Aug. 10 – \$600

VISIT TWO MARKETS AT ONCE!

Register for Missions to South Korea and Japan by the early deadline and receive each mission for only \$325. After the early deadline, receive each mission for only \$525.*

*Registration for both missions must occur on the same transaction to be eligible for the discount. If one of the mission registrations is cancelled, the discount is forfeited for the remaining mission.

